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SUBJECT: DEFENSE MINISTER PERETZ ON AMA, CEASEFIRE, LEBANON
WAR LESSONS

Classified By: Ambassador Richard H. Jones, Reason 1.4 (b) (d)

11. (C) Summary: Ambassador, accompanied by embassy senior staff, called on Defense Minister Amir Peretz December 12 to express appreciation for Peretz's role in maintaining the Gaza ceasefire and to review the status of AMA implementation discussions with the MOD. Peretz, who was flanked by Deputy Defense Minister Efraim Sneh and other MOD senior staff, took the opportunity to brief the Ambassador on a range of issues, including the IDF's successful protection of the olive harvest in the West Bank, the fragile ceasefire in Gaza, his views on the Saudi peace initiative, and the lessons learned from the Lebanon war with Hizballah. Sneh noted that Peretz had decided to facilitate the movement of 500 Palestinian Christians from Gaza to Bethlehem to celebrate Christmas. Peretz used the meeting to stress decisions the MOD had taken to ease restrictions on Palestinians, including a decision he had made that day to open the Rafah crossing. The Ambassador noted U.S. appreciation for these steps and for progress with AMA discussions, and expressed interest in expanding the Embassy's engagement with the MOD to include discussion of removing illegal outposts and also requested a briefing on the MOD's internal discussions on the final routing of the separation barrier. Peretz did not respond regarding outposts, but said MOD Director General Ashkenazi would brief the Ambassador on the separation barrier routing when he returned from a visit to India. End Summary.

12. (C) The Ambassador, accompanied by DCM, Pol Couns, Econ Couns, Senior Adviser, and Army Attache called on Minister of Defense Amir Peretz December 12. Peretz was joined by MOD senior staff, including Deputy Defense Minister Efraim Sneh, Political Adviser Haggai Alon, Pol-Mil Director Amos Gilad, Chief of Staff BGEN Mike Herzog, and Military Advisor BGEN Eitan Dangot. Peretz was in an expansive mood and welcomed the MOD's ongoing engagement with the Embassy on AMA implementation.

Protecting the West Bank Olive Harvest

13. (C) Apologizing for meeting the Ambassador in shirtsleeves, Peretz said he had just come from observing the final phase of the IDF's operation in the West Bank to protect the Palestinian olive harvest, which he termed a "great success." Peretz stated that this year's harvest, the largest in a three-year cycle, would earn the West Bank economy NIS 600 million and had employed 60,000 Palestinian workers. The IDF's operation had protected the harvest from "vandalism" and attacks by settlers. According to him, no Palestinian had been harmed during the harvest.

14. (C) Peretz added that he had ordered the MOD to facilitate the movement of Palestinian truck traffic in the West Bank, including by reducing the number of back-to-back loadings. The MOD was also examining the removal of

roadblocks where security conditions permitted.

Ceasefire and the Gaza Situation

15. (C) Peretz said the situation on the ground in Gaza was turbulent, with the murders of three young sons of a Fatah official raising the level of tension. He said the IDF was implementing the orders to transfer arms to Abu Mazen's security forces, commenting that he thought "it will end well." There was no sign that Hamas was increasing its smuggling of weapons into Gaza, but money smuggling was a major problem. The test would come shortly when Hamas Prime Minister Haniyeh returned from a trip abroad carrying an estimated \$250 million in cash in his luggage. Peretz said he was watching to see how the Egyptians would handle this challenge.

16. (C) Meanwhile, Qassam rockets were continuing to fall in Israel, with three fired by Islamic Jihad into Sderot that evening. Peretz said Israel would not respond, but the continued attacks were worrisome. The Ambassador noted that he had recently visited Sderot and the residents he met had expressed appreciation for the ceasefire, even though Qassam rockets were still falling. They said the red alert warnings in Sderot had decreased from six a day to about one a day.

Saudi Initiative "Basis for Negotiations"

17. (C) Peretz stressed that Israel needed to move forward on the diplomatic track. Much depended on Abu Mazen's deciding to "dissolve the Hamas government." Reviving the Saudi peace plan also could provide the basis for dialogue, since the idea of returning to the 1967 borders "has been acceptable to

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me for a long time." There could be territorial adjustments, for which Israel would compensate the Palestinians, either financially or with land swaps. Peretz commented that the Saudi initiative's reference to an "agreed solution" to the refugee problem represented a breakthrough. (Note: other GOI interlocutors, including in the Prime Minister's office and MFA, express serious reservations about the Arab initiative's reference to resolving the refugee problem, even while they agree that the Saudi plan includes positive elements.)

Lessons of the Lebanon War

18. (C) In response to the Ambassador's question, Peretz segued to the lessons learned from the Lebanon war with Hizballah, noting that the IDF was increasing the tempo of exercises, rebuilding its stock of weapons, and reemphasizing the importance of reserves. Israel had gone through a "peace illusion" that the reserves were not important any more, but this had been a mistake. Peretz stated that in 2007, the IDF and MOD would "face all the lessons" of the war.

19. (C) The problem posed by short-range rockets, whether Katyushas in the north or Qassams in the south, was critical since there would never be Israeli popular support for a withdrawal from the West Bank if there was no solution to the short-range rocket dilemma. Peretz said Israel was taking a new look at Skyguard and Nautilus systems, and Israeli military industries were accelerating their efforts to develop new technologies to counter the short-range rocket threat.

Appreciation for MOD's Cooperation

110. (C) The Ambassador expressed appreciation for the steps taken by MOD, noting that he knew it was difficult not to respond to rocket attacks. MOD actions on the West Bank, including protecting the olive harvest and the IDF's new Rule

of Engagement were helpful. Injecting money into the West Bank from the olive harvest just as the Id al-Adha was approaching was very positive. The Ambassador noted the Embassy's good cooperation with Deputy Defense Minister Sneh, Pol-Mil Director Gilad, and Political Adviser Alon, as well as General Mishlev's efforts to resolve the problems faced by American citizens residing in the West Bank. The Ambassador noted that we would like to expand our discussions to include an overall plan for removing obstacles to movement, standardizing procedures at crossings and checkpoints, and initiating a discussion on a pilot program for Gaza-West Bank convoys.

Christmas Convoy to Bethlehem

¶11. (C) Deputy Minister Sneh commented that Peretz had decided to assist Gaza Christians who wanted to celebrate Christmas in Bethlehem. Out of 2,500 Palestinian Christians in Gaza, about 500 had applied for permits to visit Bethlehem. The MOD would facilitate their visit, probably by convoy. Peretz said he had decided to give priority to freedom of worship.

Permits

¶12. (C) Sneh also noted that the MOD had revived the concept of VIP permits for a group of 60 Palestinians identified by Abu Mazen, and the number would be increased. Those with VIP permits could move freely, including crossing the Allenby Bridge. The Ambassador responded that average Palestinians still needed permits to cross the West Bank. Sneh said they had opened the Wadi Nar checkpoint, which would free up the largest obstacle.

Outposts and the Separation Barrier

¶13. (C) The Ambassador said the Embassy also wanted to renew our dialogue with the MOD on outposts and settlements, and was also interested in an MOD briefing on plans to complete the separation barrier. Peretz did not respond on outposts and settlements, but assured the Ambassador that MOD Director General Gadi Ashkenazi would brief the Embassy on plans for completing the separation barrier when he returned from a visit to India.

Rafah Open

¶14. (C) Peretz said he had ordered the Rafah terminal be

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opened the next day, noting that he did not understand why there were so many people waiting to cross. The Ambassador responded that this was good news. Due to the Hajj and repeated closure of Rafah, more than three thousand people in Gaza were waiting to exit Rafah, while more than one thousand were waiting in Egypt to enter Gaza. The U.S. position was that the more Rafah could be opened the better. Peretz added that as cooperation on crossings became systematized, additional resources needed to be mobilized to develop the Karni and other crossings. The Customs and Tax Protocols would also need to be dealt with.

Permits for Students

¶15. (C) The Ambassador told Peretz that we hoped the MOD would issue permits for Palestinian students who had passed security checks to study in Israel. We were especially interested in programs funded by the USG, such as the Arava Institute. One Palestinian student we knew of had passed his security check but been denied permission to study there. A Palestinian student who wanted to study in Israel should be

seen as part of the solution, not part of the problem.
Peretz said the issue was currently before the Supreme Court.
Once the court has reviewed the issue, it will be possible
to establish a clearer GOI position. Sneh added that the MOD
has taken a flexible position with regard to the case before
the Supreme Court.

¶16. (C) Comment: Peretz came across as serious, well
briefed, and engaged in this meeting; he seemed particularly
proud of his role in protecting the olive harvest. The real
force moving the IDF on AMA issues, however, is Deputy
Minister Sneh, supported by Director General Ashkenazi, since
they have experience and credibility with the IDF that Peretz
lacks.

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